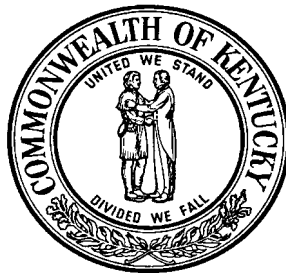


**REPORT OF THE AUDIT OF THE
CRITTENDEN COUNTY
SHERIFF'S SETTLEMENT - 2008 TAXES**

**For The Period
May 01, 2008 Through May 18, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE 502.564.5841
FACSIMILE 502.564.2912**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
CRITTENDEN COUNTY
SHERIFF'S SETTLEMENT - 2008 TAXES

For The Period
May 01, 2008 Through May 18, 2009

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2008 Taxes for Crittenden County Sheriff for the period May 01, 2008 through May 18, 2009. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$2,374,991 for the districts for 2008 taxes, retaining commissions of \$98,257 to operate the Sheriff's office. The Sheriff distributed taxes of \$2,273,931 to the districts for 2008 taxes. Taxes of \$1,126 are due to the districts from the Sheriff and refunds of \$112 are due to the Sheriff from the taxing districts.

Report Comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Fred Brown, Crittenden County Judge/Executive

Honorable Wayne Agent, Crittenden County Sheriff

Members of the Crittenden County Fiscal Court

Independent Auditor's Report

We have audited the Crittenden County Sheriff's Settlement - 2008 Taxes for the period May 01, 2008 through May 18, 2009. This tax settlement is the responsibility of the Crittenden County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Crittenden County Sheriff's taxes charged, credited, and paid for the period May 01, 2008 through May 18, 2009, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2009 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Fred Brown, Crittenden County Judge/Executive

Honorable Wayne Agent, Crittenden County Sheriff

Members of the Crittenden County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen

Auditor of Public Accounts

December 17, 2009

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
SHERIFF'S SETTLEMENT - 2008 TAXES

For The Period May 01, 2008 Through May 18, 2009

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 332,065	\$ 291,335	\$ 1,181,599	\$ 337,762
Tangible Personal Property	17,388	16,392	59,876	50,229
Fire Protection	2,018			
Increases Through Exonerations	5	4	16	5
Franchise Taxes	29,432	27,485	101,358	
Unmined Coal - 2008 Taxes	15	13	54	15
Limestone, Sand and Mineral Reserves	658	570	2,340	669
Penalties	2,594	2,256	9,187	2,895
Adjusted to Sheriff's Receipt	(13)	6	(40)	66
Gross Chargeable to Sheriff	<u>384,162</u>	<u>338,061</u>	<u>1,354,390</u>	<u>391,641</u>
<u>Credits</u>				
Exonerations	1,903	1,649	6,771	1,941
Discounts	5,245	4,595	18,526	5,773
Delinquents:				
Real Estate	4,293	3,768	15,244	4,356
Tangible Personal Property	166	156	570	601
Franchise Taxes	3,294	3,105	11,307	
Total Credits	<u>14,901</u>	<u>13,273</u>	<u>52,418</u>	<u>12,671</u>
Taxes Collected	369,261	324,788	1,301,972	378,970
Less: Commissions *	<u>15,981</u>	<u>13,803</u>	<u>52,079</u>	<u>16,394</u>
Taxes Due	✓ 353,280	✓ 310,985	✓ 1,249,893	✓ 362,576
Taxes Paid	352,310	310,409	1,248,839	362,373
Refunds (Current and Prior Year)	<u>275</u>	<u>238</u>	<u>961</u>	<u>315</u>
Due Districts or (Refund Due Sheriff)		**		
as of Completion of Audit	<u>\$ 695</u>	<u>\$ 338</u>	<u>\$ 93</u>	<u>\$ (112)</u>

The accompanying notes are an integral part of this financial statement.

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
SHERIFF'S SETTLEMENT - 2008 TAXES
For The Period May 01, 2008 Through May 18, 2009
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	1,063,019
4% on	\$	1,301,972

** Special Taxing Districts:

Library District	\$	160
Health District		62
Extension District		<u>116</u>
Due Districts	\$	<u><u>338</u></u>

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT

May 18, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Crittenden County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
May 18, 2009
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Crittenden County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of May 18, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2008. Property taxes were billed to finance governmental services for the year ended June 30, 2009. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 15, 2008 through May 18, 2009.

B. Limestone, Sand, and Gravel Reserves

The tangible property tax assessments on limestone, sand, and gravel reserves were levied as of January 1, 2008. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 13, 2008 through May 18, 2009.

C. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2008. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 23, 2009 through May 18, 2009.

Note 4. Interest Income

The Crittenden County Sheriff earned \$968 as interest income on 2008 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office. As of December 17, 2009, the Sheriff owed \$67 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Crittenden County Sheriff collected \$13,837 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office. As of December 17, 2009, the Sheriff owed \$7,227 in 10% add-on fees to his fee account.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
May 18, 2009
(Continued)

Note 6. Advertising Costs And Fees

The Crittenden County Sheriff collected \$2,785 in advertising costs and advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The advertising costs and advertising fees were used to operate the Sheriff's office. As of December 17, 2009, the Sheriff owed \$580 in advertising costs and advertising fees to his fee account.

Note 7. Unrefundable Duplicate Payment And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed monies. After three years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 2008 taxes, the Sheriff had \$728 in unrefundable duplicate payments and unexplained receipts, and for the 2007 taxes, the Sheriff had \$6,870 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Fred Brown, Crittenden County Judge/Executive
Honorable Wayne Agent, Crittenden County Sheriff
Members of the Crittenden County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Crittenden County Sheriff's Settlement - 2008 Taxes for the period May 01, 2008 through May 18, 2009, and have issued our report thereon dated December 17, 2009. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Crittenden County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Crittenden County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Crittenden County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The Sheriff's Office Lacks Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Crittenden County Sheriff's Settlement - 2008 Taxes for the period May 01, 2008 through May 18, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Crittenden County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

December 17, 2009

COMMENT AND RECOMMENDATION

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
COMMENT AND RECOMMENDATION

For The Period May 01, 2008 Through May 18, 2009

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of segregation of duties. Due to a limited number of staff, the bookkeeper is required to perform multiple tasks such as the collection of tax payments from customers, daily checkout procedures, deposit preparation, monthly reports, the preparation of checks for tax distributions, and monthly bank reconciliations.

Segregation of duties over these functions, or the implementation of compensating controls when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and helping prevent inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

Given the fact that the Sheriff has a limited number of staff and proper segregation is not achievable without the hiring of additional employees, we recommend the Sheriff implement compensating controls to reduce the risk of misappropriation of assets associated with the lack of segregation of duties. Compensating controls such as strong oversight by the Sheriff or a designee can be an effective alternative when duties cannot be segregated. This oversight should include comparing the daily deposit to the daily collection report, comparison of tax distribution payments to the monthly reports, and review of the monthly bank reconciliations. Documentation, such as the Sheriff or designee's initials or signature, should be provided on those items that have been reviewed.

Sheriff's Response: The Sheriff did not respond.

